

THIS AMENDMENT:
____ Passed as amended by ____
____ Failed ____ Not Offered ____



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PIERCE PROPOSED AMENDMENT # 1

2010 AUG 10 P 3:47

TIME/DATE PREPARED: 08/10/10 @ 1:15 p.m.

AZ CORP COMMISSION

DOCKET CONTROL COMPANY: Arizona Water Inc.

AGENDA ITEM NO. 2

DOCKET NO(S). W-01445A-08-0440

OPEN MEETING DATE: 08/11/2010

Page 48, after line 23

INSERT: (Language moved from ROO at p. 52)

"Ms. Jerich described RUCO's proposal as a "first step" (Tr. 1575-76) but expressed concerns with full consolidation for two primary reasons; full consolidation could discourage conservation in some systems, and concerns with adequate regulatory oversight if the Company is not required to maintain separate books and records for each of the 17 systems. (Tr. 1539) Ms. Jerich indicated that RUCO does not necessarily oppose full consolidation, but would consider such a proposal based on those concerns. (Id. At 1540-41.)

Page 50, DELETE lines 3-28.

Pages 51 – 52, DELETE

Page 53 lines 1-18, DELETE

Arizona Corporation Commission

DOCKETED

AUG 10 2010

DOCKETED BY

INSERT:

The Commission has approved consolidated rates for Arizona Water in prior Decisions. (Decision No. 66849 (Apache Junction/ Superior) However, this Commission has also rejected rate consolidation proposals for Arizona Water. (Decision No. 66400 (Sedona/Rimrock ACRM) The Commission has also approved consolidated rate designs for other water utilities in the past (Decision No. 61730 (Bella Vista/Nicksville) and Decision No. 68826 (McLain)).

This Commission appreciates the Company's advance notice that it plans to propose a consolidated rate design for all of its 17 systems in a future rates case. Due to the scope of such a rate design that would affect over 83,000 residential, commercial and industrial customers, we agree with the Company that it is appropriate to authorize a rate design that provides a "first

step" toward full rate consolidation in this rate case. We find RUCO's "Option F" the best rate design proposal for that first step.

RUCO's proposal creates a single monthly minimum rate for all 17 systems. Each system retains individual commodity rates.

RUCO's proposal offers several benefits. First, RUCO's rate design caps the maximum rate increase for the average residential 5/8 x 3/4 inch metered customer to no more than \$5.00 per month. This cap mitigates rate shock while maintaining the Company's overall revenue requirement. Furthermore, during these times of high unemployment and record home foreclosure rates, the Commission finds a cap on the rate increase an appropriate measure of relief for residential ratepayers.

Second, RUCO's rate design provides individual system commodity rates which send proper price signals to consumers. Third, RUCO's rate design provides a smooth transition to full consolidation if that is the wish of a future Commission. Alternatively, if the Commission declines to consolidate rates, RUCO's design allows for the smooth return to stand alone rates.

Fourth, this rate design is easy to explain compared to the Company's complicated plan to fully consolidate some systems, partially consolidate other systems and leave other systems alone. Fifth, RUCO's rate design prevents the company from avoiding detail in its bookkeeping. The Commission agrees with the New Hampshire Public Utilities Commission in its Order No. 22,883 which required Pennichuck Water to record costs on a system specific basis in order to avoid the possibility of inadequate information resulting in a troubled system or overinvestment from escaping the scrutiny of regulators that may result from a consolidated rate design.

Sixth, RUCO's proposal is no more difficult to implement than the Company's rate design. Finally, RUCO's rate design retains some adherence to the principle of cost of service by keeping individual commodity rates for each system.

We make no finding at this time regarding the issue of whether full rate consolidation should ultimately be approved. Rather, we expect the Company to provide detailed supporting testimony and documentation in a future case, or cases, to justify a single tariff pricing proposal. The Commission's decision today has no effect on this ultimate disposition of the single tariff issue in a subsequent case. The Commission finds that rate consolidation should be decided on a case by case basis in consideration of the individual facts of each docket.

Make conforming changes.